

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7180

BILL NUMBER: SB 424

NOTE PREPARED: Jan 8, 2003

BILL AMENDED:

SUBJECT: Disability Benefits for Public Safety Officers.

FIRST AUTHOR: Sen. Craycraft

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that a member of the 1925 Police Pension Fund, 1937 Firefighters' Pension Fund, 1953 Police Pension Fund, or 1977 Police Officers' and Firefighters' Pension Fund who develops cancer or a heart condition that is related to the police officer's or firefighter's duties is entitled to 75% of the salary of a first class patrolman or firefighter.

It provides that the death of a police officer or firefighter from cancer or a heart condition related to the police officer's or firefighter's duties is a death in the line of duty.

Effective Date: July 1, 2003.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: It is unknown how many disabilities are the result of heart disease or a diagnosis of cancer. For illustration purposes, it has been assumed that 50% of the disabilities are due to these conditions. The table below shows the estimated fiscal impact of this proposal for all cities and towns with members in the affected pension plans based on the assumption above.

The Public Employees' Retirement Fund as administrators of the 1977 Police Officers' and Firefighters' Pension Fund and the Pension Relief Fund said that there have been 12 line-of-duty deaths since 1998, with six due to heart attacks and none due to cancer. Currently, these benefits are paid from the Pension Relief Fund from which line-of-duty death benefits are paid for members of the 1925 Police Pension Fund, 1937 Firefighters' Pension Fund, 1953 Police Pension Fund, or 1977 Police Officers' and Firefighters' Pension

Fund. However, this proposal provides that the respective funds will pay for the benefits.

	<u>1925, 1937 and 1953 Funds</u>	<u>Converted 1977 Plan</u>	<u>Non-Converted 1977 Plan</u>
Increase in Actuarial Liabilities	\$1,221,715	\$897,031	\$9,817,941
Increase in Annual Funding	(see below)	(see below)	21% would increase to 22.9%

Since the benefits for the 1925, 1937, and 1953 Funds (Old Plan members) and Converted members are funded on a pay-as-you-go basis, the following illustrates the estimated increase in benefit payouts by cities and towns over the next five years:

<u>Calendar Year</u>	<u>Increase in Expected Benefit Payouts</u>
2003	\$321,100
2004	385,320
2005	462,262
2006	539,204
2007	<u>611,905</u>
Total	\$2,319,791

The funds affected are the Police and Fire Pension Funds. The principal revenue sources for these funds are: (1) cigarette taxes; (2) liquor gallonage taxes; and (3) auto and aircraft excise taxes.

Explanation of Local Revenues:

State Agencies Affected: Public Employees' Retirement Fund as administrators of the Police and Fire Plans.

Local Agencies Affected: Those cities and towns with members in the affected pension plans.

Information Sources: Doug Todd of McCready & Keene, Inc., actuaries for the Police and Fire Funds, 576-1508.

Fiscal Analyst: James Sperlik, 317-232-9866.

Actuarial Liability: The excess of the present value of all benefits thereafter payable under the system over the present value of future normal costs.

Converted: Members hired before May 1, 1977, who have elected to convert to the benefit structure under the 1977 Act.

Non-Converted 1977 Plan: Members hired after April 30, 1977, all of whom are covered by the benefit structure under the 1977 Act.

Old Plan: Members hired before May 1, 1977, who have not elected to convert to the benefit structure under the 1977 Act.